

**Statement of Carol B. Hallett,
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Before the Senate Commerce Committee
Hearing on S. 383, the Airline Passenger Fairness Act
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Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today to present the views of the Air Transport Association (ATA) concerning the Airline Passenger Fairness Act, S. 383, introduced by Senators Wyden, McCain, Bryan, and Snowe. ATA represents the major U.S. passenger and cargo air carriers. Our members transport approximately 95% of the passenger and goods transported by air on U.S. flag airlines.

Last year, the U.S. airline industry safely and successfully carried over 611 million passengers. This incredible safety record is due in large part to this Committee's leadership in working with the airlines and the Federal Aviation Administration. We expect this number will increase to well over 650 million passengers this year and experts predict we will reach one billion passengers a year by 2008.

The airline industry is also aware that every action it takes can be, and often is, the subject of wide, even disproportionate media attention and that passenger service issues have now come under scrutiny by various Members of Congress.

Let me say that we understand the frustrations passengers experience from time to time. The airlines share some of those same frustrations as well. But, I want to be clear, that we all share the same objective of providing the highest quality service to our passengers.

The American public deserves safe, convenient and reliable air service. Airlines fully accept responsibility for service failures within their control and make every reasonable effort to plan for and manage failures outside of their control. I want to assure you, Mr. Chairman, that we are eager to work with you on these matters, because as you know, satisfied customers are the heart of our industry.

In fact, the airlines are reaffirming their "Commitment to Customer Service". This effort will incorporate many of the ideas that this Committee has proposed. We are recommitted to providing timely and accurate information concerning flight delays and cancellations. Airlines will reaffirm that passengers should expect to be accommodated on flights for which they have a confirmed reservation, a valid ticket and have adhered to airline policies.

Airlines will quote passengers the lowest fare available for which they qualify. Airlines who transport unaccompanied minors will have appropriate supervision available. Airlines are committed to providing passengers with information on the privileges and redemption requirements of carrier's frequent flyer program. And the airlines reaffirm their commitment to ensuring that passengers receive their luggage in a timely manner and that they provide their customers with prompt information concerning lost or misrouted baggage insofar as such information is available.

As you also know, all modes of transportation are subject to external factors beyond their control, such as weather, and to the inherent limitations of machines and people. Consequently, no mode of transportation can honestly or safely guarantee that every single trip offered will always be provided on time and without any inconvenience whatsoever. We do, however, offer a highly reliable service and we try to serve the general public to the best of our abilities. Can we improve? Yes we can, and we try to improve more and more everyday.

1998 was a year in which we all take a great deal of pride. Thousands of mechanics, dispatchers, pilots, flight attendants, bag handlers, fuel suppliers, air traffic controllers and others got to work, often in horrible weather, did their job, and did it well. Hundreds of millions of passengers and their families - a number equal to twice the entire population of the United States - relied on them to do that - and they did. It is important that we not lose perspective on what this industry does well because of unfortunate but anomalous circumstances that dominate media interest.

The air transportation system operates twenty-four hours a day, 365 days a year. The working men and women in the air transportation industry, both our public and private sector employees - work to make it happen.

Of the 611 million passengers carried last year, the top ten major airlines carried approximately 540 million passengers, with 5,808 consumer complaints registered with the Department of Transportation, a rate of one per 100,000 passengers flown. Yes, we know that not every complaint becomes a matter of record, however, this is a remarkably good record by any measure.

In spite of what you read in the newspaper, the system we have is the best and safest in the world. To make it even better both the government and the private sector need to work hand in hand in modernizing our air traffic control system. Yes, the industry should improve its customer service wherever possible but it bears mentioning that 65% of delays - a primary cause of cascading events that lead to complaints - stem directly to the ATC system.

Despite all these realities, U.S. scheduled airline service comes closer to perfection than any other mode of transportation. Last year, we offered over 21,000 domestic flights per day, to nearly 800 cities nationwide. Despite all the severe weather, air traffic control system limitations, congested airports, and frailties of machine and people, nearly 80% of flights arrived on time.

By any measure, U.S. scheduled air transportation is the safest, fastest, most efficient, most economical, most convenient, and least complaint-generating way to travel of any method offered by any one any where in the world.

But as I mentioned earlier, we are not perfect. And we cannot completely cancel the limitations of severe weather, the air traffic control system, and the limitation of airport facilities, machines, and people. We do as well as we do, however, by never being satisfied, by always looking for improvement. We are under enormous market pressures to eliminate every delay, every inconvenience, and every instance of poor service or unsatisfactory information. We do these things because, as businesses, it is in our best interest to do everything we can to please the public.

As stated in the findings section of 8.383, passenger complaints filed with the Department of Transportation against large United States air carriers have increased from 6,394 in 1997 to 7,994 in 1998. While we would prefer a perfect record in this area, it also warrants note that this statistical variation from .0011% to .0013% on a base of 611 million passengers, while important, is in a range easily attributable to more bad weather in one year over another or labor difficulties or anyone of a hundred reasons. We do not believe, however, that such a minor variation supports costly legislation, which will bring into place reams of regulations and legions of regulators looking for issues

We recognize that this legislation is offered with the best of intentions, but the fact is that its best provisions are unnecessary, because they already reflect industry practice, and its worst provisions would have unintended, adverse, and, worst of all, expensive consequences for the consumer.

We are deeply concerned with the risks posed by S. 383, which we believe will result in higher fares, fewer seats available, fewer seats available at lower fares, and less rather than more disclosure of useful information to passengers, and confusing requirements and pressures on our employees.

S. 383, the Airline Passenger Fairness Act (APFA) seeks to provide additional consumer disclosures, beyond those which carriers currently provide, in a number of areas for which the practicality, costs, or other implications vastly outweigh any potential benefits.

The industry is committed to and absolutely dependent upon pleasing its customers and believes that the best way to achieve this goal is to provide every competitor with the widest latitude. The last thing that is needed is the intrusion of government bureaucracy and the consequential increase of costs to the traveling public.

Mr. Chairman, back in 1978, there were 43 airlines in this country; today, we have about 90 carriers. Over the last six years alone, 59 new airlines have been granted operating certificates by the Federal Aviation Administration and many of those newer airlines, riding a period of economic prosperity, have begun to make profits.

Air passenger traffic has more than doubled over the last 20 years, from more than 253 million passengers in 1978 to 611 million last year while prices have declined by 36%. These tremendous increases are a direct result of deregulation.

The only way we can handle the growth in air travel in the safe, efficient, and economical way the public wants is to let our aviation system operate with as much free enterprise and flexibility as is reasonably possible. A free-market aviation industry is the only type that is able to generate the funds necessary to make needed safety advances and improvements.

Let me outline our concerns with the Airline Passenger Fairness Act.

PROPOSED REQUIREMENTS

- **Permit a passenger to use any ticket coupons in his/her ticket regardless of the reasons that other portions of the ticket are not used.**

Under existing practice, if a passenger has a reservation for an itinerary of several segments and does not show up for a segment, the reservation is removed for the remaining segments. This does not eliminate the value the passenger has in the ticket; it simply means that unless the passenger reinstates that reservation, he no longer has that particular reservation.

It is important that airlines do this because otherwise they may be blocking someone who wants to get on one of those later segments because the airline is holding a seat for someone who has changed their plans and no longer will fill that seat. Particularly with demand as high as it is now for air travel, it would be harmful to consumers for them not to be able to get a seat on a flight when in fact there was an empty seat on the flight they wanted.

- **Provide a consumer full access to all fares regardless of the technology the consumer uses to access the fares.**

Airlines have been able to drive average airfares down by 36% over the past 20 years largely by offering a wider mix of fares, including larger and larger numbers of deeper and deeper discount fares. As in any industry, some of the deepest discounts can only be offered either to volume consumers or to consumers willing to purchase their tickets through a lower cost means.

The volume discounts go to government, corporations, senior citizen groups, conventions, and employee or shareholder groups. The lower cost outlets, just like the outlet stores used by some retailers, are open to all but only through locations that incur lower costs. In the case of airline tickets, that often means that the very lowest cost tickets are available to anyone willing to do the work of booking their own flights via the Internet.

Both the Internet outlets and often the volume discounts involve purchasing tickets through a particular means, location, or technology. If airlines were prohibited from offering such fares through means available to some and not others, we could not offer such deeply discounted tickets.

- **Provide notice to each passenger holding a confirmed reservation when a scheduled flight will be delayed for any reason.**

Most airlines attempt to notify passengers when there is sufficient time and appropriate telephone numbers. However, in the majority of cases the passenger is not at the number given, or the delay is ascertained too close to departure time to telephone the passenger before he or she leaves for the airport.

This provision assumes that passengers provide multiple telephone numbers where they can be reached, that they are at one of the numbers they have given, and that airlines know sufficiently in advance that there will be a delay. Where those assumptions are valid, the passenger is being notified today.

- **Refund the full purchase price of an unused ticket if the passenger requests a refund within 48 hours after the ticket is purchased.**

Most tickets purchased for theaters, movies, concerts, sporting events, as well as sale items, are non-refundable. Airlines once sold only refundable tickets, which often generates very high costs, as passengers change itineraries and need to be rebooked. Under the pressure of competition, airlines have evolved to a practice of offering customers a choice: those that want the extra service of being able to refund and rebook can pay full or moderately discounted fares.

Those passengers willing to purchase the model with fewer accessories, in other words without the ability to refund and rebook, can pay the deeply discounted fares. We believe this choice allows passengers to get what they need without paying for what they don't need. This legislation would partially take away that choice.

S.383 would require the airlines to refund tickets if passengers notify the carrier within 48-hours of the purchase. Now we could do that now without legislation, but as a result we would not be in the position to offer non-refundable tickets. This would occur because the refundable-within 48 hour option will have higher costs than the non-refundable tickets. Those harmed most by this provision would be those most price-sensitive and therefore most dependent on the availability of deeply discounted fares.

- **Disclose information that would enable consumers to make comparative decisions about frequent flyer programs including the number of seats redeemable on each flight and the percentage of successful and failed frequent flyer redemptions on each flight.**

Airlines already have a fundamental interest in providing their passengers with whatever information about their frequent flyer programs they find useful. Frequent flyer programs are not required by law, they are voluntary and they are free to the customer.

It is our experience that passengers want to know two things about seat availability under frequent flyer programs: (1) what are the blackout dates, and (2) what are the flights and the dates that are not on a blackout date.

Blackout dates are already fully disclosed in advance to passengers. As for the desired flight that is not on a blackout date, average data for that flight does the passenger no good, because what that flight does on other days may not reflect what the availability is on that flight for the day the passenger would like to travel.

Furthermore, even if we just look at one flight on one particular day, the availability of seats on that one flight for a frequent flyer will vary each day leading up to the day of departure. There is no single "number of seats redeemable" on a particular flight on a particular day, so there is no such number that can be reported.

Passengers may obtain any frequent flyer information by placing a toll-free call to the airline in question, and they ask whether they can get a seat on the day and flight they want. To the extent they want to compare different programs, they certainly form their own opinions based on their own experience.

Mr. Chairman, it is the strong view of the Air Transport Association that legislation is not necessary and is an improper response to such a complex and massive transportation system. We believe that it is inherently incumbent upon the industry to be responsible for the service it provides to the traveling public and that the federal government should continue its strong oversight role of aviation safety and security.

None of us are perfect Mr. Chairman, we all make mistakes. But I can tell you that the hundreds of thousands of airline employees across this Nation are striving to improve in their jobs everyday.

We appreciate the opportunity you have provided the industry to discuss our concerns with the Committee about this legislation and we look forward to working with you to address the important needs of ensuring the safety and efficiency of the air traffic control system well into the 21st Century.